
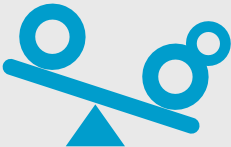





Reforming mobile sector taxation in Uzbekistan:





Unlocking economic and social benefits through tax reform in the mobile sector

Mobile telephone services play an increasingly important role in supporting economic growth and social inclusion

<p>THE MOBILE SECTOR ACCOUNTS FOR</p> <h1>2.5%</h1>  <p>OF UZBEKISTAN'S GDP</p> <p>In 2017, the mobile sector generated \$1,169m in revenue</p>	<p>THE MOBILE TAX CONTRIBUTION IS</p> <h1>1.2</h1>  <p>TIMES GREATER THAN ITS SIZE IN THE ECONOMY</p>	<p>THE MOBILE SECTOR CONTRIBUTES TO</p> <h1>3%</h1>  <p>OF UZBEKISTAN'S TAX REVENUE</p> <p>In 2017, the mobile sector paid \$430m in taxes and fees</p>
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Mobile Connectivity Index Uzbekistan: 46.3/100

Barriers to connectivity

<p>Affordability</p>  <table border="1"><tr><th>Region</th><th>Score</th></tr><tr><td>Uzbekistan</td><td>60</td></tr><tr><td>APAC</td><td>69</td></tr><tr><td>Eastern Europe</td><td>77</td></tr></table>	Region	Score	Uzbekistan	60	APAC	69	Eastern Europe	77	<p>Consumer Readiness</p>  <table border="1"><tr><th>Region</th><th>Score</th></tr><tr><td>Uzbekistan</td><td>73</td></tr><tr><td>APAC</td><td>69</td></tr><tr><td>Eastern Europe</td><td>84</td></tr></table>	Region	Score	Uzbekistan	73	APAC	69	Eastern Europe	84
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<p>Infrastructure</p>  <table border="1"><tr><th>Region</th><th>Score</th></tr><tr><td>Uzbekistan</td><td>42</td></tr><tr><td>APAC</td><td>51</td></tr><tr><td>Eastern Europe</td><td>63</td></tr></table>	Region	Score	Uzbekistan	42	APAC	51	Eastern Europe	63	<p>Content and Services</p>  <table border="1"><tr><th>Region</th><th>Score</th></tr><tr><td>Uzbekistan</td><td>25</td></tr><tr><td>APAC</td><td>51</td></tr><tr><td>Eastern Europe</td><td>64</td></tr></table>	Region	Score	Uzbekistan	25	APAC	51	Eastern Europe	64
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Source: <https://www.mobileconnectivityindex.com/>

40% of Uzbekistanis are excluded from mobile access and 70% from mobile internet access

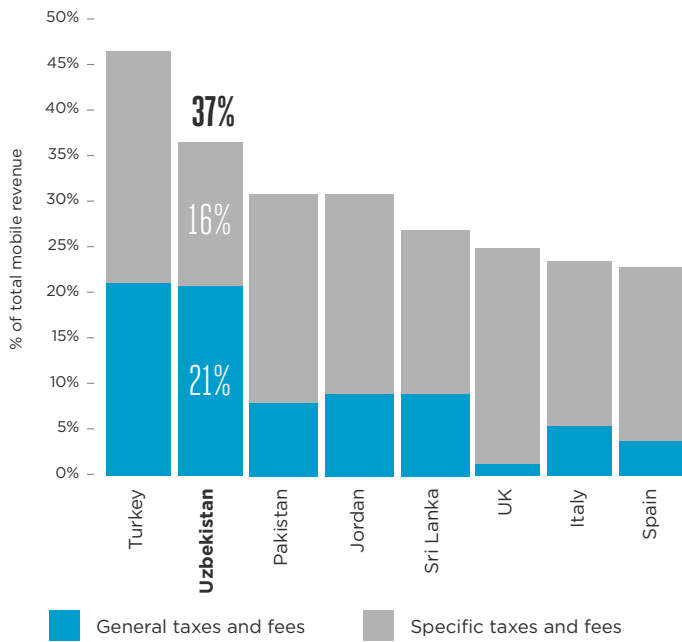


Country	Unique subscriber penetration (%)	Unique subscriber penetration, with mobile internet (%)
Russia	~88	~65
Ukraine	~88	~55
Belarus	~80	~60
Moldova	~75	~50
Kazakhstan	~70	~30
Georgia	~68	~45
Armenia	~65	~42
Kyrgyzstan	~65	~45
Azerbaijan	~65	~40
Tajikistan	~60	~20
Uzbekistan	29.9%	59.5%
Turkmenistan	~55	~15

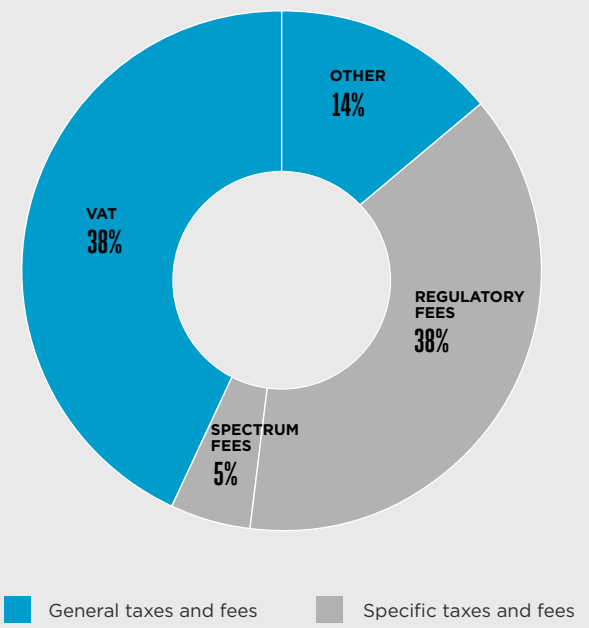
Legend: ■ Unique subscriber penetration, ◆ Unique subscriber penetration, with mobile internet

Uzbekistan performs well in terms of consumer readiness compared to the APAC region. However, local content and services, affordability of mobile services and devices and infrastructure are barriers to the improvement of connectivity.

The tax contribution of the mobile sector represents 37% of market revenue (2017)



Uzbekistan has the highest share of regulatory fees in a sample of European and Asian countries



The high tax burden on the mobile sector discourages additional investment and limits the opportunities for further development

MOBILE CONNECTIVITY IMPROVES PRODUCTIVITY IN THE ECONOMY

Academic studies have proven that *“a 10% increase in mobile penetration increases productivity by between 1.0% and 1.3%.”*

Through policy reform, the Government of Uzbekistan has the opportunity to facilitate private sector investment, supporting job creation and a better business climate

ECONOMIC IMPACTS OF TAX REFORM

EY estimated the economic impact of the following tax reforms, which estimated impacts over a five-year period (2019-2023) are presented below.

	Price of services	Annual gain in tax revenue by 2023	Additional investment in the economy
1 Phased reduction in corporation tax	-1.1%	+\$8m	+\$57m
2 Reduction of the monthly subscriber fee	-5.2%	+\$47m	+\$121m
3 Elimination of the SIM card fees	-1.1%	+\$8m	+\$25m

THESE TAX REFORMS ARE SELF-FINANCING

The Government may face an initial cost in the first year following the reform, but tax reforms would boost productivity, leading to higher GDP and taxation revenue in the medium-term.

